Infrastructure Ontario 2006 – 2007 Annual Report

making projects happen

Ontario
Infrastructure Ontario

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Message from the Chair

As Chair of the Board of Directors, I am pleased to present Infrastructure Ontario's 2006–2007 Annual Report. This report outlines the business performance and operational highlights, and includes audited financial statements for the organization.

During the past year, there were major advances in Infrastructure Ontario's portfolio of major infrastructure projects. These projects are being delivered using Alternative Financing and Procurement (AFP), a "made-in-Ontario" approach that uses private financing to strategically rebuild vital infrastructure, on time and on budget, while ensuring appropriate public control and ownership. The volume of work that has been brought to market has been impressive and unprecedented.

There have also been significant changes to the structure of the organization in the past year. In July 2006, the Ontario Infrastructure Projects Corporation Act was proclaimed, amalgamating the former Ontario Strategic Infrastructure Financing Authority (OSIFA) and Infrastructure Ontario. In December 2006, the loan program was expanded to include all capital expenditures by universities and municipalities, as well as new classes of borrowers, including local hydro utilities, transit corporations, universities' federated and affiliated colleges, and not-for-profit long-term care service providers.

The amalgamation of the former OSIFA and Infrastructure Ontario also meant a new Board of Directors. The Board has met several times since the amalgamation, and I would like to thank them for their contribution and diligence. Infrastructure Ontario will continue to adhere to the highest standards of good governance and transparency.

Finally, on behalf of the Board, I would like to thank David Livingston, his management team and all of Infrastructure Ontario's dedicated staff for their outstanding contributions in the last year.

D. Anthony Ross
Chair

Message from the Chief Executive Officer

This has been an exciting year of growth, expansion and consolidation at Infrastructure Ontario.

With more than 40 major infrastructure projects in our portfolio, the continued success of the OSIFA loan program and the launch of our project advisory services, Infrastructure Ontario is positioned to be a leader in infrastructure project delivery.

Growth

In the fiscal year ended March 31, 2007, Infrastructure Ontario brought 18 projects to market worth an estimated $6.3 billion:

Under construction

- Hôpital Montfort (Ottawa)
- North Bay Regional Health Centre
- Quinte Health Care
- Sudbury Regional Hospital

RFP currently open

- Bluewater Health (Sarnia)
- Sault Area Hospital
- Rouge Valley Health System

RFQ closed – submissions under review

- Hamilton Health Sciences (3 projects)
- Runnymede Healthcare Centre
- Ottawa Cancer Centre
- Niagara Health System
- London Health Sciences Centre
- MGS Data Centre

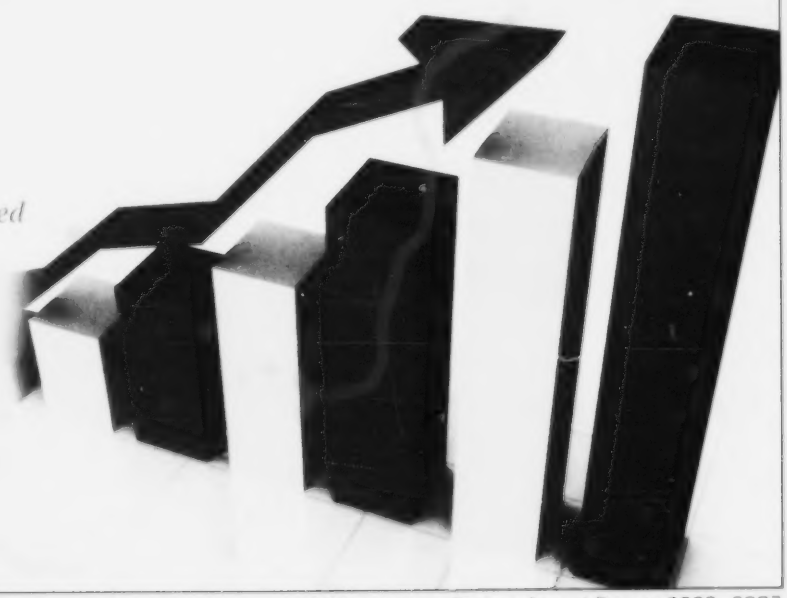
Preferred project team selected

- Sunnybrook Health Sciences Centre
- Durham Consolidated Courthouse

RFP closed – bids under review

- St. Joseph's Health Care – London
- Trillium Health Centre
- Youth Justice Facility

A further 20 publicly-announced projects have yet to be brought to tender.



Expansion

Infrastructure Ontario's OSIFA loan program continued to grow. In December, eligible projects under the program were expanded, and new classes of borrowers were added. The OSIFA Loan Program now includes financing for all municipal capital investments:

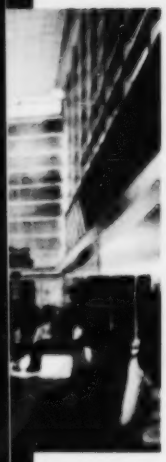
- Local police and fire stations
- Administration and recreation buildings
- Energy conservation projects
- Ferries, docks and airports
- Ambulances, snow ploughs and other vehicles
- All previously eligible projects (roads, bridges, water, sewers, public housing, public transit, etc.)

The Loan Program also includes new borrowers:

- Municipal Corporations (hydro utilities, transit corporations, local housing corporations)
- Universities and affiliated and federated colleges
- Not-for-profit long-term care facilities
- Hospices

At March 31, 2007, there were $2.7 billion in loan commitments, supporting 869 projects for 170 broader public sector clients.

Consolidation



Infrastructure Ontario is a motivated, focused and results-oriented organization of more than 130 professionals working to build a strong reputation. We want industry to know us as tough (but fair) negotiators, acting in the public interest. We want our clients to recognize us as knowledgeable and helpful, working to meet their needs. And we want our shareholder—the Government of Ontario—to see us as the organization that responsibly delivers valuable assets to taxpayers on a timely basis.

In the next year, and the years ahead, we will continue to work to solidify this reputation. The Infrastructure Ontario team is looking forward to new challenges and opportunities—and to making more projects happen.

J. David Livingston
President and Chief Executive Officer

06/07 Key Events & Achievements

Key Events

May 10, 2006
Winning project company announced for Montfort Hospital

May 29, 2006
RFP issued for Quinte Health Care

June 16, 2006
RFP issued for Trillium Health Care

June 21, 2006
RFP issued for Sudbury Regional Hospital

July 17, 2006
OIPC Act, 2006 proclaimed: Infrastructure Ontario and the former OSIFA amalgamated

August 2, 2006
RFP issued for St. Joseph's Hospital, London

August 25, 2006
RFP issued for Youth Justice Facility

September 8, 2006
Design and bid fees introduced

October 20, 2006
RFP issued for Bluewater Health

November 9, 2006
RFP issued for Sault Area Hospital

December 8, 2006
Infrastructure Ontario's OSIFA loan program expanded

February 8, 2007
RFP issued for Rouge Valley Health System

March 2, 2007
Contract awarded for Durham Consolidated Courthouse

March 15, 2007
Building team selected for St. Joseph's Hospital, London

March 20, 2007
Building team selected for Youth Justice Facility

March 21, 2007
Building team selected for Trillium Health Centre

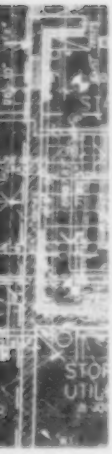
March 23, 2007
Construction begins on Sudbury Regional Hospital

March 24, 2007
Construction begins on North Bay Regional Health Centre

Key Achievements

Significant progress was made on Infrastructure Ontario's portfolio of major infrastructure projects. As of March 31, 2007, construction had begun on four; construction was ready to begin on another five; four projects were at the RFP stage; and a short list of proponents had been named for another six.

This past fiscal year was one of innovation. With the support and feedback of a wide range of stakeholders, Infrastructure Ontario helped the Ministry of Health and Long-Term Care develop Generic Output Specifications (GOS) for AFP hospital projects. GOS provides the baseline design criteria and performance requirements, and will be applied on all future hospital designs (Build-Finance (BF), Design-Build-Finance-Maintain (DBFM), traditionally delivered projects) where the design has not been substantially completed.



Infrastructure Ontario also introduced design and bid fees for DBFM projects. These fees partly offset the costs incurred by unsuccessful bidders for expenses related to the preparation of submissions. They will assist in attracting bids from companies of varying size and scope.

We worked with the provincial government to improve and enhance the capital planning process.

We also developed standardized documents for project agreements, reflecting increased sophistication and ongoing responsiveness to the characteristics of AFP.

Infrastructure Ontario established positive working relationships and signed memoranda of understanding with our project partners.

We recruited more than 100 highly-skilled, motivated professionals to further Infrastructure Ontario's mandate. They have played a major role in establishing our excellent reputation.

We also established organization-wide procedures and systems related to AFP projects (e.g., equipment policies).

Our current mandate of 40+ major infrastructure projects is set to expand with more hospitals, courthouses and correctional facilities as Infrastructure Ontario establishes itself as a leader in infrastructure project delivery.

Minister Caplan announced that OSIFA had reached a significant milestone, with over $1 billion dollars flowed to its municipal borrowers.

With the merger of OSIFA and Infrastructure Ontario, the Business Development and Corporate Services division was able to expand its service offerings to include not only financing for qualified projects through the OSIFA loan program but also:

- Assistance in the identification and evaluation of alternative infrastructure delivery approaches; and
- Assistance and support to ensure infrastructure development follows best practices.

The Business Development and Corporate Services division was responsible for the administration of the first stage of the $4 billion Good Places to Learn initiative (stage one is a $700 million financing program to school boards for capital renewal and construction).

The OSIFA loan program was further broadened in December 2006 to include all capital investments for municipalities and universities, as well as new borrowers:

- Not-for-profit long-term care service providers;
- Federated and affiliated colleges; and
- Municipal corporations.

Finally, Infrastructure Ontario administered the Rural Infrastructure Investment Initiative, a one-time, $140 million dollar program intended to help rural and small municipalities provide safe and reliable local infrastructure.

Organizational Overview

Organizational Mandate and History

Infrastructure Ontario is a Crown corporation dedicated to managing some of the Province's larger and more complex infrastructure renewal projects, ensuring they are built on time and on budget.

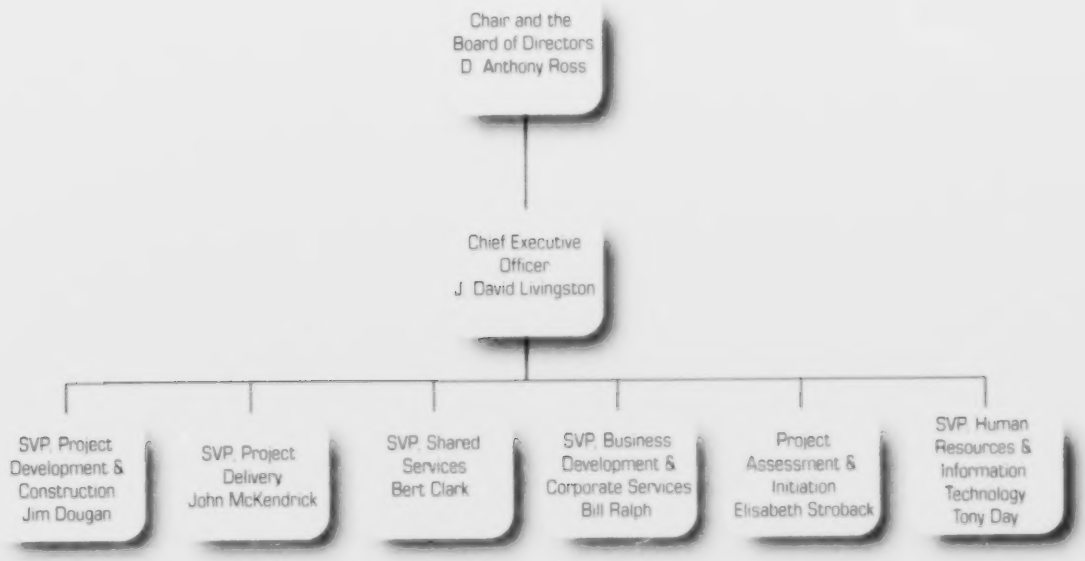
In 2005, the Government implemented ReNew Ontario 2005-2010, a $30 billion strategic investment plan to address a significant public infrastructure deficit and prepare for future growth. Infrastructure Ontario is an essential component of the plan.

Our work is guided by principles outlined in the province's Building a Better Tomorrow framework, which ensures public ownership of core assets such as hospitals, schools, and water and wastewater facilities. Using an Alternative Financing and Procurement (AFP) model, Infrastructure Ontario leverages private financing and expertise to strategically rebuild and maintain vital infrastructure, on time and on budget. Infrastructure Ontario also provides Ontario municipalities, universities and other public bodies with access to affordable loans to build and renew local public infrastructure. In addition, Infrastructure Ontario provides advisory services related to infrastructure development across the broader public sector.

Corporate Structure

Infrastructure Ontario is organized in seven functional areas, as illustrated in the figure below:

- The Executive Office;
- Project Development and Construction;
- Project Delivery;
- Shared Services;
- Business Development and Corporate Services;
- Project Assessment and Initiation; and;
- Human Resources and Information Technology.


Chair and the Board of Directors D. Anthony Ross
Chief Executive Officer J. David Livingston
SVP, Project Development & Construction Jim Dougan
SVP, Project Delivery John McKendrick
SVP, Shared Services Bert Clark
SVP, Business Development & Corporate Services Bill Ralph
Project Assessment & Initiation Elisabeth Stroback
SVP, Human Resources & Information Technology Tony Day

The Executive Office and The CEO includes the Chair of the Board and the Chief Executive Officer. Through the Chair, the Board of Directors is accountable to the responsible Minister. The Chief Executive Officer is responsible for developing Infrastructure Ontario's strategic direction and ensuring the organization meets its corporate objectives. The CEO provides leadership to Infrastructure Ontario's management and employees, and fosters a corporate culture that promotes integrity and respect, enabling the corporation to attract, retain and motivate a diverse group of talented employees. He also ensures that effective communications and appropriate relationships are maintained with all of Infrastructure Ontario's stakeholders.

Project Development and Construction and Project Delivery are responsible for managing the planning, design and delivery of assigned major public infrastructure projects. The work of these two divisions ranges from managing procurement and negotiating contracts with private sector consortia, to project management from shovel-in-the-ground through to construction completion.

Shared Services provides advisory services and resources on the delivery of specific projects. The division provides project communications, finance, legal, and procurement services to the projects divisions.

Business Development and Corporate Services is responsible for Infrastructure Ontario's loan program and advisory services. This group provides Ontario municipalities and other public sector partners with access to affordable loans to build and renew local public infrastructure. It also provides finance, communications and corporate relations advice and legal services to the entire organization.

Project Assessment and Initiation is responsible for assessing and the initial planning of potential AFP projects. These broader public sector projects may be conte :plating the use of traditional delivery approaches, and may be in the early planning stages.

Human Resources and Information Technology is responsible for developing the internal strength to meet Infrastructure Ontario's needs in information technology and personnel, including the development of a staff and management compensation strategy. The division facilitates Infrastructure Ontario's ability to recruit and retain the talent needed, and enable productivity through technology.

Business Strategy

Infrastructure Ontario will continue to be a world-class infrastructure development and delivery agency. Several strategies are in place to ensure we build on our early success.

First, we will continue to procure assigned projects on time, on budget and on scope. Infrastructure Ontario is overseeing the development of more than 40 projects and, through a focused and committed effort, we will ensure these projects are successfully tendered.

Second, as projects begin construction, we will ensure they are built on time, on budget and on scope. Only when projects are completed will our work be done.

Third, we will attract new business from four streams: through the Provincial capital planning process; the activities of the Project Assessment and Initiation Division; the provision of loans; and, Project Advisory Services for the broader public sector. Infrastructure Ontario will also implement the marketing strategy created in early 2007.

Fourth, we will pay keen attention to client and stakeholder satisfaction indices. Early in the calendar year 2007, we completed our first client survey, to measure satisfaction among Infrastructure Ontario clients and stakeholders. We also completed an employee survey, to gauge employee opinions on the organization's strengths and areas for attention. We are currently using the results to set benchmarks for future improvement.

And finally, we will achieve the financial and business targets for the organization. Our success on the ground must be matched by the strength of our finances.

Corporate Governance

OIPC's (Infrastructure Ontario) corporate governance structure is set out in the Ontario Infrastructure Projects Corporation Act, *2006.*

Infrastructure Ontario is a corporation without share capital, composed of the members of its board of directors. The members are appointed by the Lieutenant Governor in Council. The Chair and Chief Executive Officer are designated and appointed by the Lieutenant Governor in Council. This governance structure ensures that Infrastructure Ontario's activities are conducted in accordance with relevant statutes, as well as government policies and directives.

As part of Infrastructure Ontario's commitment to good governance, the Corporation prepares an annual report in accordance with Management Board of Cabinet directives that is approved by the Board and submitted to the Minister of Public Infrastructure Renewal for tabling in the Ontario Legislature.

The Board of Directors provides strategic oversight within the objects of the corporation. The board is also responsible for approving policies relating to risk assessment/management; and awarding performance awards. It approves projects that are within scope and expenditure limits. It provides oversight of senior management, monitoring for legal compliance, internal control, effective audit procedure, and reporting requirements. Finally, it provides advice and counsel to the Minister of Public Infrastructure Renewal and to senior management.

OIPC Board of Directors

Tony Ross
Chair

Tony Ross serves as the Chair of Infrastructure Ontario. Prior to this, Mr. Ross worked as a Business Consultant for RG Group where he advised, among others, Manulife Financial, the Government of Newfoundland, the University of Toronto, York University, Ottawa Congress Centre, Hydro One, TD Securities, Merrill Lynch Canada, Scarborough Hospital and Telus.

Before RG Group, Mr. Ross was Vice-Chairman of Merrill Lynch, where he directed the activities of the Capital Markets group.

Director and Chair since: November 2, 2005
Current term expires: May 1, 2008
Member of: Governance and Compensation Committee
Non-Independent [Full-time Chairman of the Corporation]

Felix Chee

Felix P. Chee has wide-ranging experience in both the public and private sectors. He is President and CEO of University of Toronto Asset Management Corporation [UTAM] and was previously Vice President of Business Affairs at the University of Toronto.

Prior to joining the University of Toronto he held the positions of Executive Vice President and Chief Investment Officer at Manulife Financial; Senior Vice-President of Corporate Finance at Ontario Hydro Corporation; and Senior Investment Officer of the International Finance Corporation at the World Bank Group.

Director since: November 2, 2005
Current term expires: November 1, 2008
Member of: Credit Oversight Committee [Chair]
Independent

Patrick J. Dillon

Patrick J. Dillon is the Business Manager and Secretary Treasurer of the Provincial Building and Construction Trades Council of Ontario. He has held this position since 1997.

He began his career in the construction industry as an apprentice electrician in 1961 and became a journeyman in 1966. Following 18 years of experience in the construction industry, he was elected Business Manager of Local 105 of the International Brotherhood of Electrical Workers [IBEW]. In 1991, he was elected Executive Chairman of the IBEW Construction Council of Ontario where he was responsible for establishing the very successful Provincial Organizing Department.

Mr. Dillon was appointed by the Government of Ontario to serve on the Board of Directors of the Workplace Safety and Insurance Board [WSIB]. He also serves as a director on the following organizations: Ontario Construction Secretariat [OCS], the Construction Safety Association of Ontario [CSAO], Construction Sector Council of Canada, The Retrocom Growth Fund and the De Novo Treatment Centre. He also served on the Hamilton Harbour Commission.

Director since: September 6, 2006
Current term expires: September 5, 2009
Member of: Credit Oversight Committee
Independent

J. David Livingston
President and Chief Executive Officer

J. David Livingston has 30 years of experience in the financial services industry, where he ultimately rose to Executive Vice President, Corporate Development at TD Bank Financial Group.

Mr. Livingston obtained his B.Sc. from the University of Western Ontario in 1973 and his MBA from Queen's University in 1976. He is a director of Ovarian Cancer Canada and the Children's Aid Society of Toronto. He is also a member of the Children's Aid Society of Toronto – Real Estate Committee and the Children's Aid Foundation – Scholarship Award Committee. He and his wife have two grown children.

Director since: November 21, 2005
Current term expires: November 20, 2008
Non-Independent [President & CEO of the Corporation]

Gadi Mayman

As Chief Executive Officer of the Ontario Financing Authority, Gadi Mayman is responsible for the Province's borrowing and debt management programs and banking and capital markets relationships. He is also CEO of the Ontario Electricity Financial Corporation.

Prior to joining the Ontario Ministry of Finance, Mr. Mayman worked as a treasury officer at the Export Development Corporation in Ottawa and in the International Division of the TD Bank.

Mr. Mayman is also a board member of the Ontario Clean Water Agency.

Director since: November 2, 2005
Current term expires: November 1, 2007
Member of: Credit Oversight Committee
Non-Independent [CEO of the Ontario Financing Authority]

Isabel Meharry

Isabel Meharry is Vice President, Finance, Secretary Treasurer and Chief Financial Officer for Green Shield Canada which specializes in group and individual health and dental benefits programs and administration.

Ms. Meharry has more than 25 years in senior financial and operating roles. Prior to joining Green Shield Canada, she held the position of President and Chief Executive Officer of Financial Executive International Canada. She has also served as the Executive Consultant to the Chairman and CEO of Sun Life Financial of Canada in Hong Kong, as Executive Vice President of Aviva Insurance Company, the Chief Financial Officer of the Insurance Corporation of British Columbia and the Chief Auditor at North American Life Insurance Company [now part of Manulife].

Ms. Meharry is a member of several boards and was recently elected to the Council of the Institute of Chartered Accountants of Ontario. She holds an MBA from York University, is a Chartered Accountant, a Certified Fraud Examiner, a Certified Public Accountant and a Chartered Director.

Director since: August 24, 2006
Current term expires: August 23, 2009
Member of: Audit Committee [Chair]
Independent

Linda Robinson

Linda Robinson is a senior partner at Osler, Hoskin & Harcourt LLP, a leading Canadian law firm, and Chair of Osler's national business law department. Ms. Robinson has a corporate law practice with a particular emphasis on mergers and acquisitions, business and financial restructuring and shareholder matters. She has a long-standing interest in infrastructure renewal with an MSc in Urban and Regional Planning Studies from the London School of Economics.

Director since: February 21, 2007
Current term expires: February 20, 2010
Member of: Governance and Compensation Committee [Chair]
Independent

Jim Schwindt

Jim Schwindt is a Professional Engineer who started his career at Traugott Construction Limited in 1973 as an estimator and project manager. He was then promoted to General Manager in 1978 and became President and controlling partner in 1982. He retained this position until his retirement at the end of 2005.

Throughout his career, Mr. Schwindt has served as the director and chairman of numerous associations, such as the Council of Ontario Construction Association, the Ontario General Contractors Association and the Grand Valley Construction Association.

Mr. Schwindt graduated from the University of Waterloo in 1973 with a Bachelor of Applied Science in Civil Engineering.

Director since: February 21, 2007
Current term expires: February 20, 2010
Member of: Audit Committee
Independent

Darija Scott

Darija Scott is Managing Principal of SCOTT Associates Architects Inc., which she co-founded in 1987. The Toronto-based firm's current project and consulting work in the international area centres around public/private infrastructure projects. This field has become an area of specialization for her. She has worked around the world on several high profile transport privatization projects with a diverse group of clients including operators such as Lockheed and Hughes, contractors Bouygues and Skanska, as well as entities such as British Aerospace and Aeroports de Paris, and various airport authorities.

Her firm SCOTT Associates were the Design Architects for Terminal 3 at Toronto Pearson and have several major assignments at Pearson including the design of the new 13,200-vehicle garage at Toronto's new terminal development as well as the upgrade and expansion of Terminal 3.

Ms. Scott runs the firm's Business Development divisions in both Canada and the US.

Director since: August 24, 2006
Current term expires: August 23, 2009
Member of: Governance and Compensation Committee
Independent

Harry Swain

Harry Swain is a Management Consultant whose strategic advice has helped many business leaders and corporations. He is also a former international investment banker who was Chief Executive of Hambros Canada Inc. Later, he was head of investment banking at SG Canada.

Mr. Swain has broad experience in public policy, as well. He is a former deputy minister with the federal government and an author on various public policy issues from water and the environment to economic and regional development.

Director since: November 2, 2005
Current term expires: November 1, 2007
Member of: Audit Committee
Independent

OIPC Board Committees

Audit Committee

The Audit Committee is responsible for overseeing Infrastructure Ontario's risk management and financial reporting. It reports to the Board of Directors, assisting it in discharging its oversight responsibilities relating to Infrastructure Ontario's risk exposures arising from its financial activities.

Credit Oversight Committee

The purpose of the Credit Oversight Committee is to ensure that Infrastructure Ontario adheres to the credit approval policy and process approved by the Board of Directors, to recommend policies to the board, and to monitor the risk profile of the loan portfolio.

Governance and Compensation Committee

The role of the Governance and Compensation Committee is to make recommendations to the Board with respect to the composition of the Board and its committees, and to promote a set of corporate governance principles aimed at fostering a healthy governance culture at Infrastructure Ontario. The Committee is also responsible for reviewing and recommending for approval the compensation of the Chief Executive Officer. In addition, they oversee Infrastructure Ontario's employee bonus pool and the overall Human Resources expense.

Director Compensation

Each director who is not an employee of Infrastructure Ontario receives an annual retainer of $5,000. Directors are compensated for each meeting that they attend and receive a fee of $500 per meeting. Directors are also reimbursed for travel and other expenses they incur to attend meetings or to perform other duties in their role as a director.

Public Sector Salary Disclosure

Infrastructure Ontario is subject to the Public Sector Salary Disclosure Act and is obligated to report salaries over $100,000. For purposes of applying the Act, salaries include bonuses and taxable benefits actually received during the year as reported for personal income tax purposes.

J. David Livingston – President and Chief Executive Officer

As President and Chief Executive Officer of Infrastructure Ontario, J. David Livingston oversees the crown corporation responsible for executing large-scale public infrastructure projects for the Government of Ontario. Under Mr. Livingston's leadership, Infrastructure Ontario is quickly becoming a chief player in one of Canada's most robust infrastructure development programs.

Mr. Livingston is a frequent and sought-after speaker on infrastructure development and alternative financing and procurement. His 30 year financial industry experience, where he ultimately rose to Executive Vice President Corporate Development at TD Bank Financial Group, has led him to create a team at Infrastructure Ontario of private and public experts that use innovative tools to deliver complex projects on time and on budget.

Mr. Livingston obtained his B.Sc. from the University of Western Ontario in 1973 and his MBA from Queen's University in 1976. He is a director of Ovarian Cancer Canada and the Children's Aid Society of Toronto. He is also a member of the Children's Aid Society of Toronto – Real Estate Committee and the Children's Aid Foundation – Scholarship Award Committee. He and his wife have two grown children.

Bert Clark – SVP, Shared Services

Since joining Infrastructure Ontario in its early days, Bert has played an integral role in the development of commercially reasonable and financeable projects. Prior to joining Infrastructure Ontario, Bert held several senior government roles including Special Advisor in the Office of the Premier of Ontario, where he provided capital planning advice to the Premier and directed the development of both the five-year capital plan and 2004-2005 capital budget.

Prior to his work in the government, Bert worked as a lawyer in private practice as part of the Business Law Group at Osler, Hoskin and Harcourt LLP.

Bert earned an LLB from Queen's University Law School, an LLM from Duke University School of Law and a BA from McGill University.

The opportunity to employ creativity and innovation in developing a new public service organization inspired Bert to join Infrastructure Ontario.

Tony Day – SVP, Human Resources and Information Technology

Tony has over 30 years of diverse senior experience in Human Resources and Information Technology working for both the private and public sector across three provinces. His early career focused on business process reengineering and the development of credit card, financial and cost accounting systems in the private sector (Consolidated Bathurst and a major bank), and later the development and implementation of several information systems, primarily human resources, at Siemens and the ministries of Transportation, Education and Cabinet Office.

Tony's human resources experience in the last ten years has focused on guiding organizations in defining their business plans and leading large scale restructuring and transformation. Most recently, he helped the Ministry of Labour meet some difficult challenges and reshaped how HR services were delivered.

The challenge of building an organization from a concept, and a desire to realize the results of what we do attracted Tony to Infrastructure Ontario. He would like to be known for having designed and staffed an organization that is built to last, and employees are proud to be a part of.

Jim Dougan – SVP, Project Development and Construction

With more than 25 years experience in the development and construction industry, Jim's impressive career history includes being the executive in charge and contract signing officer for Canada's two largest building infrastructure projects. As the President and Chief Operating Officer of Falls Management Company, Jim successfully managed the construction of the $1.0 billion, 2.5 million square foot Fallsview Casino Resort in Niagara Falls, Ontario. As Chief Operation Officer of Canada's largest publicly-traded construction and infrastructure development company, BFC Construction Group (now Aecon Group Inc.), he managed the development of the $1.849 billion, 4.4 million square foot new Terminal 1 for the Greater Toronto Airports Authority. He also represented the contractor's interests on the new Terminal 1 and the owner's interests on the Fallsview Casino Resort.

It was the opportunity to employ his extensive private sector skill set and knowledge to "make a difference" to Ontario taxpayers that inspired Jim to join Infrastructure Ontario.

Outside of work, Jim enjoys coaching youth soccer.

John McKendrick – SVP, Project Delivery

As Senior Vice President, Project Delivery, John is responsible for the procurement and management of major public infrastructure projects. Prior to assuming this role, John was Assistant Deputy Minister, Infrastructure Financing and Procurement, with the Ministry of Public Infrastructure Renewal. John has also served as the Director of the Corporate Finance Branch at the Ontario Financing Authority where he was involved in the financing of a number of infrastructure projects for hospitals, school boards, universities, transportation and Crown agencies, as well as asset-based and other structured financings. Previous to this, John held various senior positions in the Ontario Public Service including in the Ontario Financing Authority, Ministry of Finance and Treasury Board.

John has a Bachelor of Arts in Economics from Wilfrid Laurier University and a Master of Arts in Economics from McMaster University.

John would like our public sector partners to know that they have a strong ally in Infrastructure Ontario, to help them achieve their goals at the lowest possible cost to taxpayers.

Bill Ralph – SVP, Business Development and Corporate Services

With over 25 years of financial and managerial experience with the Government of Ontario, Bill is a proven leader in shaping the way that infrastructure projects are financed and delivered in Ontario. He established the Ontario Strategic Infrastructure Financing Authority (OSIFA)—an innovative, affordable and efficient public infrastructure loan program and the first of its kind in Canada. Prior to OSIFA, Bill led the development of Ontario's Infrastructure Planning, Finance and Procurement Framework as well as a number of high-profile projects for the Ministry of Finance.

In his current position at Infrastructure Ontario, Bill continues to play a pivotal role in developing the future of infrastructure investments in Ontario, including contributing to the adoption of the Building a Better Tomorrow framework across the broader public sector and raising the level of effective delivery of infrastructure investments.

Bill has an Honours Bachelor of Arts in Economics from Queen's University and a Masters in Business Administration from York University. He and his wife, Lezlie, have three children—two boys and a girl.

Elisabeth Stroback – SVP, Project Assessment and Initiation

Elisabeth has many years of senior-level experience in property development and investment, property management, municipal planning, project management and consulting in the real estate and health capital sectors. As President and Owner of Tanalex Corporation, which provided clients principally in the health care sector with project management and advisory services in planning, approvals, funding, she led the redevelopment, planning and approval process for the Centre for Addiction and Mental Health. Prior to 1999, Elisabeth worked for Hammerson Inc. (later OMERS Realty Management Corporation), holding progressively more senior positions that culminated in her appointment as President and C.E.O. in 1997. Elisabeth is also a Director of Crombie REIT, Director of the Housing Services Inc. a subsidiary of the Toronto Community Housing Corp. and the Canadian Urban Institute.

The challenge of broad project management through the AFP model, including the planning, financing and development of large infrastructure development projects, attracted Elisabeth to Infrastructure Ontario.

Elisabeth has a Master's Degree in Economics from Queen's University, Kingston, Ontario.

IO's Accountability Framework

Our Vision

The "go-to" group for making Ontario public infrastructure projects happen.

Our Mission

We use the best of public and private-sector expertise to expand and renew public assets. We deliver public infrastructure projects on time and on budget using best practices recognized worldwide. We provide affordable rates of financing and project management expertise to a diverse public sector customer base. In short, Infrastructure Ontario makes public infrastructure projects happen.

Success Factors

This is how each of our Success Factors is defined at Infrastructure Ontario:

Public/Customer Focus

- Make customers aware that their needs are our priority
- Understand the customer's objectives and earn their respect
- Demonstrate to our customers that their success is our success

Collaborative Effort

- Facilitate a partnering approach by establishing common goals and objectives
- Develop flexible work plans that address customer needs
- Develop an integrated organization that excels in sharing knowledge and resolving problems

Expert Team

- Our team has extensive skills and industry-proven experience
- Our team works effectively with all stakeholders
- Our team is motivated and passionate about what we do

Excellent Results

- Define success, deliver value
- Deliver what we committed on time, on budget, on scope
- Manage and mitigate project risk

Continuous Improvement

- Source and apply best practices, creating centres of expertise
- Continuously identify lessons learned and preferred solutions
- Invest in staff training, systems and technology to foster organizational development

Our Culture

In general terms of behaviour, this is how each of the values that comprise our culture is defined at Infrastructure Ontario:

Respectful

- We treat each other, our partners and customers with dignity and openness
- We recognize different skills and the expertise of each team member and learn from each other
- We share the fundamental belief that there is a reason to respect everyone and their views

Resourceful

- We share information, communicate status and results, and transfer knowledge
- We go the extra mile to get the job done
- We use the best tools available and draw on the expertise, creativity and knowledge of the team

Results-Focused

- We are accountable—no excuses
- We develop effective solutions—we get it done
- We use 'and' thinking—we turn obstacles into opportunities

Summary of Financial Results

Fiscal Year 2006/07 was a successful year for Infrastructure Ontario. In its first full year of operations as the newly merged Infrastructure Ontario and OSIFA, the organization achieved its strategic objectives.

Infrastructure Ontario's net loss from operations was $29.8 million for fiscal year 2006/07. Excluding the concession cost expense of $18.9 million, the net loss is reduced to $10.9 million. The loss is attributable to two main factors: a net interest loss of $6.1 million and net loan operation expenses of $4.8 million. The net interest loss was primarily attributable to the concessionary 2003/04 loan program, under which the interest charged was below the cost of funding.

Projects spending for fiscal year 2006/07 was $28.2 million, which includes project transaction costs, ancillary costs, and Infrastructure Ontario project operating costs. This will be entirely recoverable from Ontario ministries.

Corporate expenses amounted to $7.2 million for 2006/07. This includes costs related to overall governance expenditures and legal and Corporate Services such as Communications, HR, IT and finance and accounting. These expenses were entirely recoverable through transfer payments from the Ministry of Public Infrastructure Renewal.

Risk Assessment & Management

Interest Rate and Liquidity Risk Management

Interest rate risk arises when the repricing of assets [e.g., loans to Borrowers] is not aligned with the repricing of liabilities [e.g., obligations such as the Infrastructure Renewal Bonds]. The result of this misalignment may be lower net interest income or, if Infrastructure Ontario is lending at rates below its borrowing cost, greater net loss. Infrastructure Ontario has in place an Asset Liability Management Policy to mitigate interest rate risk. In managing interest rate risk, Infrastructure Ontario uses the services of the OFA. The OFA is authorized to implement any necessary transactions on Infrastructure Ontario's behalf to reduce exposure to interest rate changes.

Infrastructure Ontario manages exposure to changes in interest rates primarily through tailoring the terms of its borrowing to fit with the terms that Borrowers select for loans or the maturity of financial instrument investments. Infrastructure Ontario matches the terms of the investments held in the $1.12 billion Reserve Fund against the terms of the Province of Ontario and OCWA subordinated loans so that there is no material interest rate risk. In the case of loans, Borrowers draw short term variable rate construction financing prior to project completion and convert to fixed rate debentures at completion of the projects; these short term borrowings are match funded with short term Commercial Paper. Proceeds of Infrastructure Renewal Bonds issues are invested in high credit quality securities on duration matched basis in anticipation of the fixed rate debenture borrowings. Any residual interest rate risk is addressed through adjustment of the term of financial instrument investments or through derivative instruments such as interest rate swaps.

Credit Review of Borrowers

As discussed earlier, the Credit Oversight Committee provides oversight of Infrastructure Ontario's loan program including monitoring the risk profile of the loan portfolio. Credit risk by client is assessed by Infrastructure Ontario's Credit Review Committee. To protect against loan default, Infrastructure Ontario gathers and analyzes data from the applicant's financial information and such other sources as it deems appropriate.

Infrastructure Ontario's lending policy includes a prudent credit assessment and monitoring regime. Credit reports are submitted to Infrastructure Ontario senior management in conjunction with the loan approval process and as part of the ongoing monitoring of Infrastructure Ontario's Underlying Receivables.

The most recent operating and balance sheet information for potential Borrowers is modified by the applicant's loan request to determine the stress that the additional debt will put on the potential Borrower. In addition to the risk protection afforded by thorough credit analysis, Infrastructure Ontario mitigates credit risk through its use of the Intercept Mechanism [see "Intercept Mechanism" below].

Reserve Fund

Under the authority of the OSIFA Act, OSIFA [now Infrastructure Ontario] was provided with $1 billion through a subordinated 50-year loan from the Province of Ontario and with an additional $120 million through a subordinated 20-year loan from the OCWA [see "Existing Indebtedness" for a description of the terms of these loans]. This $1.12 billion constitutes the Reserve Fund, currently used by Infrastructure Ontario for three purposes: [i] to provide credit protection to Investors in unsubordinated Infrastructure Ontario debt such as Infrastructure Renewal Bond, Ontario Opportunity Bonds and Commercial Paper; [ii] to provide liquidity backstop for Infrastructure Ontario's financing needs; and [iii] to provide a stable long-term capital base that enables Infrastructure Ontario to achieve a very high quality credit rating on the Infrastructure Renewal Bonds. Payment of interest and principal on these loans is subordinated to the payment of interest and principal on Infrastructure Renewal Bonds. The Reserve Fund is invested in marketable securities to produce income for Infrastructure Ontario.

Intercept Mechanism

In the event of a default by a Borrower under a loan from Infrastructure Ontario, the OIPC Act *authorizes the Minister of Finance to deduct* money appropriated by the Legislative Assembly of Ontario for payment to such Borrower, or from money appropriated by the Legislative Assembly for payment to the Borrower in respect of such matters as may be specified and to pay such amounts to Infrastructure Ontario. The Borrower's consent in writing to such Intercept Mechanism for any amounts payable to the Borrower by the Province of Ontario is a condition of all loans made by Infrastructure Ontario.

Responsibility for Financial Reporting

Infrastructure Ontario

777 Bay Street, 9th Floor
Toronto, Ontario M5G 2C8
Tel.: 416 212-7289
Fax: 416 325-4646

Infrastructure Ontario

777, rue Bay, 9e étage
Toronto, Ontario M5G 2C8
Tél. : 416 212-7289
Téléc. : 416 325-4646

Ontario
Infrastructure Ontario

The accompanying consolidated financial statements of Infrastructure Ontario have been prepared in accordance with accounting principles generally accepted in Canada as recommended in the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants (CICA) and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgment.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors oversees management's responsibilities for financial reporting through the audit committee. The Audit Committee reviews the financial statements and recommends them to the Board for approval.

The financial statements have been audited by Hilborn Ellis Grant LLP. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of management,

J. David Livingston
President and Chief Executive Officer

Gregg Smyth
Vice President, Finance & Risk Management, and Chief Financial Officer

Ontario
Infrastructure Ontario

ONTARIO INFRASTRUCTURE PROJECTS CORPORATION

[INFRASTRUCTURE ONTARIO]

Financial Statements
March 31, 2007

Hilborn Ellis Grant LLP
Chartered Accountants

Auditors' Report

To the Directors of
Ontario Infrastructure Projects Corporation/
Société Ontarienne de Travaux d'Infrastructure ("Infrastructure Ontario")
and to the Minister of Finance

We have audited the balance sheet of **Ontario Infrastructure Projects Corporation/Société Ontarienne de Travaux d'Infrastructure ("Infrastructure Ontario")** as at March 31, 2007 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Hilborn Ellis Grant LLP

Toronto, Ontario
June 4, 2007

Chartered Accountants
Licensed Public Accountants

401 Bay Street, Suite 3100, P.O. Box 49, Toronto, Ontario, Canada M5H 2Y4 Phone: 416-364-1359 Fax: 416-364-9503 hilborncllisgrant.com

BALANCE SHEET

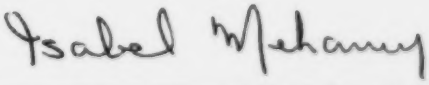
As at March 31, 2007 [in thousands of dollars]

	2007 [Note 19]	2006 [Note 19]
ASSETS		
Current assets		
Cash	$ 5,692	$ 4,665
Accounts receivable [Note 2]	20,571	12,709
Current portion of debentures [Note 3]	51,855	34,091
Short-term investments	1,094,575	1,063,259
	1,172,693	1,114,724
Long-term assets		
Loans receivable [Note 3]		
– construction advances	277,670	364,498
– debentures	814,990	547,131
– deferred cost on concessionary loans	[115,313]	[101,551]
Project receivables [Note 4]	21,327	—
Long-term investments [Note 5]	98,427	402,695
Debt issue costs [Note 6]	5,116	6,035
Deferred losses/[gains] on hedging [Note 7]	[4,665]	[4,280]
Capital assets [Note 8]	3,989	1,076
	1,101,541	1,215,604
Total Assets	$ 2,274,234	$ 2,330,328
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities [Note 9]	$ 11,297	$ 8,562
Interest payable [Note 10]	26,374	15,748
Deferred Grant Revenue [Note 11]	148	—
Commercial Paper [Note 12]	288,857	348,575
	326,676	372,885
Long-term debt [Note 13]		
Province of Ontario Loan	1,000,000	1,000,000
Infrastructure Renewal Bonds	650,000	650,000
Ontario Opportunity Bonds	323,284	323,354
Ontario Clean Water Agency Loan	120,000	120,000
OFA Revolving Credit Facility	20,000	—
	2,113,284	2,093,354
Total Liabilities	$ 2,439,960	$ 2,466,239
Deficit	[165,726]	[135,911]
Total liabilities and deficit	$ 2,274,234	$ 2,330,328

Approved on behalf of the Board:

Director

Director



STATEMENT OF OPERATIONS AND DEFICIT

For the year ended March 31, 2007 [in thousands of dollars]

	2007 [Note 19]	2006 [Note 19]
REVENUE		
Investment interest	$ 57,931	$ 60,067
Loan interest	33,250	18,283
Amortization deferred concession costs	5,154	2,653
Other revenue	378	—
Total Loan Program	96,713	81,003
Project Recoveries	28,197	591
Investment interest	—	12
Project recoveries	135	—
Grant from Ministry of Public Infrastructure Renewal	7,068	8,270
Total Corporate	7,203	8,282
Total Revenue	132,113	89,876
EXPENSES		
Province of Ontario loan interest	41,380	28,278
Infrastructure Renewal Bond interest	29,900	29,913
Ontario Opportunity Bond interest	13,742	13,743
Commercial Paper Interest	12,240	8,957
Ontario Clean Water Agency loan interest	5,110	3,498
Concession costs	18,916	40,757
Amortization debt issue costs	919	920
Amortization deferred hedging losses/[gains]	[462]	[74]
Amortization capital assets	—	168
Salaries, wages and benefits	2,147	2,802
Administrative and general	2,636	2,667
Total Loan Program	126,528	131,629
OFA Revolving Credit Facility interest	263	—
Project advisory costs	18,890	591
Salaries, wages and benefits	7,257	—
Administrative and general	1,787	—
Total Projects	28,197	591
Amortization capital assets	479	18
Project advisory costs	225	5,832
Salaries, wages and benefits	3,627	1,412
Administrative and general	2,872	1,020
Total Corporate	7,203	8,282
Total Expenses	161,928	140,502
Net Loss from operations	[29,815]	[50,626]
Deficit, beginning of year	[135,911]	[85,285]
Deficit, end of year	$ [165,726]	$ [135,911]

STATEMENT OF CASH FLOWS

For the year ended March 31, 2007 [in thousands of dollars]

	2007 [Note 19]	2006 [Note 19]
OPERATING ACTIVITIES		
Net Loss from operations	$ [29,815]	$ [50,626]
Items not requiring a current cash outlay:		
Concession costs	18,916	40,757
Amortization deferred concession costs	[5,154]	[2,653]
Amortization capital assets	479	186
Amortization debt issue costs	919	920
Amortization deferred hedging gain	[462]	[74]
	[15,117]	[11,490]
Changes in non-cash working capital:		
Increase in accounts receivable	[7,862]	[456]
Net increase [decrease] in short-term investments	[31,316]	176,953
Increase in accounts payable and accrued liabilities	2,735	6,655
Increase in interest payable	10,626	7,135
Increase in deferred grant revenue	148	—
Increase [decrease] commercial paper	[59,718]	34,388
	[100,504]	213,185
Increase in loans receivable net of repayments	[198,795]	[487,377]
Increase in project receivables	[21,327]	—
Cash used in operating activities	[320,626]	[274,192]
FINANCING ACTIVITIES		
Advances from OFA Revolving Credit Facility	20,000	—
Redemption of Ontario Opportunity Bonds	[70]	[10]
Debt issue costs	—	[101]
Deferred gain on sale of hedging investments	847	5,892
Cash from financing activities	20,777	5,781
INVESTING ACTIVITIES		
Sale of long-term investments	304,268	273,916
Acquisition of capital assets	[3,392]	[1,042]
Cash from investing activities	300,876	272,874
Net increase in cash	1,027	4,463
Cash, beginning of the period	4,665	202
Cash, end of the period	$ 5,692	$ 4,665

For the year ended March 31, 2007 [tabular amounts in thousands of dollars]

Background

On November 7, 2005, the government established the Ontario Infrastructure Projects Corporation [Infrastructure Ontario] to implement Ontario's major infrastructure projects using alternative financing and procurement [AFP] methods.

Infrastructure Ontario is a Crown agency incorporated under the *Business Corporations Act* [Ontario] and reports to the Minister of Public Infrastructure Renewal [PIR].

Pursuant to a unanimous shareholder agreement and a Memorandum of Understanding between the corporation and the Minister of PIR, the objects of Infrastructure Ontario are:

- To provide on a cost effective and timely manner, project and contract management of large complex infrastructure projects identified in the multi-year capital plan of the Government of Ontario as AFP projects as assigned by the shareholder, as represented by the Ministry of PIR, to the corporation.
- Where requested, provide financial and execution advice in respect of assets or interests of the Government and implement transactions in respect of such assets or interests.
- To undertake any additional objects as directed by the shareholder.

On July 17, 2006 Infrastructure Ontario and the Ontario Strategic Infrastructure Financing Authority [OSIFA] amalgamated and OSIFA became a division of Infrastructure Ontario. The objects of the OSIFA division are to provide advisory services and financing for municipalities, universities and other public bodies in the Province of Ontario.

1. Significant accounting policies

Basis of accounting

These financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles [GAAP] as recommended in the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants [CICA] and, where applicable, the CICA Handbook for private sector corporations in Canada.

Measurement uncertainty

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from these estimates.

Revenue recognition

Infrastructure Ontario receives grant revenue from PIR in relation to in-year corporate expenses. The grant is recorded as unearned revenue until the corporate expenses have been incurred. Once incurred, the grant is recognized as revenue.

Costs incurred by Infrastructure Ontario on long term projects are fully recoverable. Revenue is recognized as the recoverable project costs are incurred.

Loans receivable

Loans receivable are stated at their estimated net realizable value. Loans with concessionary terms are discounted using the Provincial cost of borrowing to determine the present value of the loan. The difference between the face value of the loan and its present value is, in substance, a grant. Only the 2003-04 program loans were issued with concessionary terms.

Loans with concessionary terms are recorded at face value discounted by the amount of the grant portion. The grant portion is recognized as a concession cost at the date of issuance of the loan and amortized to revenue over the term of the loan. Concessions for construction advances are initially calculated based on the terms and conditions of long-term debentures with no amortization taken until the advances are converted to debentures, at which time the value of the concession is recalculated.

For the year ended March 31, 2007 [tabular amounts in thousands of dollars]

1. Significant Accounting Policies (continued)

Hedge accounting

Infrastructure Ontario is exposed to interest rate fluctuations during the period between the issuance of Infrastructure Renewal Bonds and initiating debentures with municipalities. To manage this interest rate risk, Infrastructure Ontario utilizes financial instruments with similar characteristics to hedge against the debt. Infrastructure Ontario has formally documented its risk management objective and strategy, including relationships between the hedging instrument and the hedged item, for undertaking these various hedging transactions.

The hedging instruments are classified under long-term investments. Gains and losses resulting from hedging activities are deferred and amortized to operations over the term of the underlying debt, which matures June 1, 2015.

Taxes

As a Crown corporation, Infrastructure Ontario is exempt from federal and provincial income taxes under paragraph 149[1][d] of the Income Tax Act of Canada.

Short-term investments

Short-term investments include money market securities with maturities of less than twelve months. As at March 31, 2007 the interest rates on these money market securities ranged from 4.3% to 4.4%. Short-term investments are recorded at cost, which approximates market.

Debt issue costs

Debt issue costs were incurred on the sale of Ontario Opportunity Bonds and Infrastructure Renewal Bonds. These costs are being amortized over the life of the bond issues.

Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful life of the assets beginning in the fiscal year of acquisition, with a half-year provision in the year of acquisition and half-year in the year of disposal. The estimated useful lives of the assets are as follows: computer equipment 3 years, furniture and fixtures 10 years and leasehold improvements 10 years.

2. Accounts receivable

	2007 [Note 19]	2006 [Note 19]
Investment interest receivable	$ 8,746	$ 5,648
Loan interest receivable	7,752	4,954
Due from Ontario Ministries	2,783	1,723
GST receivable	1,290	384
Total	**$ 20,571**	**$ 12,709**

3. Loans receivable

Infrastructure Ontario established a 'concessionary' loan program for municipalities in 2003-04. In 2004-05 for municipalities and in 2005-06 for universities, Infrastructure Ontario also established an 'infrastructure renewal' loan program that operates on a cost pass-through basis.

As of March 31, 2007, construction advances are receivable from forty two municipalities and one university. The interest rate on concessionary construction loans was one half of the average of Prime and 30 day Bankers' Acceptances. The interest rate on infrastructure renewal construction loans was equal to the rate charged on 30 day Bankers' Acceptances plus ten basis points. Debentures receivable are due from ninety seven municipalities, with terms ranging from 5 to 40 years.

For the year ended March 31, 2007 (tabular amounts in thousands of dollars)

3. Loans receivable [continued]

	2007 [Note 19]		2006 [Note 19]	
Construction Advances				
Concessionary loan program	$ 183,826		$ 285,469	
Infrastructure renewal loan program	93,844		79,029	
	$ 277,670		**$ 364,498**	
Debentures		**Interest %**		**Interest %**
Concessionary loan program				
Maturity within 5 years	$ 2,452	1.87 - 2.31	$ 3,132	1.87 - 2.31
6 to 10 years	141,179	2.06 - 2.69	121,972	2.06 - 2.69
11 to 15 years	64,468	2.28 - 2.67	15,346	2.28 - 2.67
16 to 20 years	305,601	2.38 - 2.95	214,159	2.36 - 2.95
Greater than 20 years	38,155	2.52 - 3.05	6,426	2.54 - 3.05
	551,855		361,035	
Infrastructure renewal loan program				
Maturity within 5 years	663	3.94 - 4.17	830	3.94 - 4.17
6 to 10 years	38,981	4.04 - 5.02	20,599	4.04 - 4.58
11 to 15 years	22,664	4.57 - 4.86	21,836	4.57 - 4.65
16 to 20 years	205,540	4.54 - 5.22	170,903	4.57 - 4.94
Greater than 20 years	47,142	4.78 - 5.29	6,019	4.78 - 4.82
	314,990		220,187	
Total debentures	866,845		581,222	
Less: portion due within one year	51,855		34,091	
Long-term portion of debentures	**$ 814,990**		**$ 547,131**	

	2007 [Note 19]	2006 [Note 19]
Deferred Costs on Concessionary Loans		
Deferred costs on concessionary loans, beginning of year	101,551	63,447
Concession costs current year	18,916	40,757
Amortization concession costs	[5,154]	[2,653]
Deferred costs on concessionary loans, end of year	**$ 115,313**	**$101,551**

The organization has no significant credit risk with the current loan portfolio. In case of default, the Province of Ontario is obligated to redirect funds owing to a Borrower, to pay Infrastructure Ontario. This is done through an intercept mechanism, which is a condition of all loans. Management also actively reviews the credit performance of each Borrower and determined there is no need for a provision at this time.

4. Project receivables

During the year ending March 31, 2007 Infrastructure Ontario incurred project costs and recognized project recoveries of approximately $28.3 million. During the year $7 million has been billed to Ontario Ministries, while the remaining $21.3 million has been recognized as accrued project receivables.Certain project receivables, including interest costs to finance the receivables, will not be billed until the completion of the project.

5. Long-term investments

Long-term investments consist of $98 million [2006 - $403 million] of bonds utilized as hedging instruments as described in Note 1, which are carried at cost.

For the year ended March 31, 2007 (tabular amounts in thousands of dollars)

6. Debt issue costs

	Cost	Accumulated Amortization	Net 2007 [Note 19]	Net 2006 [Note 19]
Ontario Opportunity Bonds	$ 1,689	$ 1,319	$ 370	$ 708
Infrastructure Renewal Bonds	5,957	1,211	4,746	5,327
Total	**$ 7,646**	**$ 2,530**	**$ 5,116**	**$ 6,035**

7. Deferred losses/[gains] on hedging

	Cost	Accumulated Amortization	Net 2007 [Note 19]	Net 2006 [Note 19]
Net gains on hedging activities	**$ [5,189]**	**$ 524**	**$ [4,665]**	**$ [4,280]**

8. Capital assets

	Cost	Accumulated Amortization	Net 2007 [Note 19]	Net 2006 [Note 19]
Computer equipment	$ 1,260	$ 525	$ 735	$ 251
Furniture and fixtures	892	71	821	237
Leasehold improvements	2,626	193	2,433	588
Total	**$ 4,778**	**$ 789**	**$ 3,989**	**$ 1,076**

9. Accounts payable and accrued liabilities

	Net 2007 [Note 19]	Net 2006 [Note 19]
Trade payables and accruals	$ 10,930	$ 6,927
Due to the Ontario Financing Authority	367	1,635
Total	**$ 11,297**	**$ 8,562**

10. Interest payable

	March 31 2007 [Note 19]	March 31 2006 [Note 19]
Province of Ontario Loan	$ 10,307	$ —
Infrastructure Renewal Bonds	9,884	9,884
Ontario Opportunity Bonds	5,496	5,497
Ontario Clean Water Agency Loan	424	367
OFA Revolving Credit Facility	263	—
Total	**$ 26,374**	**$ 15,748**

For the year ended March 31, 2007 (tabular amounts in thousands of dollars)

11. Deferred grant revenue

The Ministry of PIR transferred $7.2 million to Infrastructure Ontario for recoverable corporate costs (2006 – $8.3 million). As of March 31, 2007 $7.1 million has been recognized as revenue, with the remaining $148 thousand being deferred as unearned grant revenue.

12. Commercial paper

In November 2004, Infrastructure Ontario commenced issuing notes under a commercial paper program. The funds are used for short-term funding requirements including cash management, financing assets and general operating requirements. The program is authorized to issue a maximum of $500 million for terms of up to one year. During the year, interest on the notes ranged from 3.9% to 4.4% and as of March 31, 2007, maturities ranged from April 2007 to June 2007.

13. Long term debt

Ontario Opportunity Bonds

Infrastructure Ontario has outstanding $323 million in tax-exempt, redeemable Ontario Opportunity Bonds. These bonds bear interest at 4.25% per annum and mature on May 6, 2008. Interest is paid semi-annually on May 6th and November 6th until maturity. During the year $70 thousand (2006 – $10 thousand) of Ontario Opportunity Bonds were redeemed.

Infrastructure Renewal Bonds

On February 24, 2005, Infrastructure Ontario issued $650 million of Infrastructure Renewal Bonds. The bonds bear interest at 4.60% per annum and mature on June 1, 2015. Interest is paid semi-annually on June 1st and December 1st until maturity.

Ontario Clean Water Agency Loan and Province of Ontario Loan

The Ontario Clean Water Agency (OCWA), an agency of the Province of Ontario has provided a twenty-year subordinated loan of $120 million to Infrastructure Ontario in exchange for a promissory note which matures on March 1, 2023. The interest on the note is reset monthly, with the interest rate set at four basis points below the average one month Canadian Dollar Offered Rate, payable quarterly.

The Province of Ontario has provided Infrastructure Ontario with a fifty-year subordinated loan of $1 billion in exchange for a promissory note which matures on March 31, 2053. The interest on the note is reset quarterly at the Province's three-month treasury bill rate and payable quarterly.

The $1.12 billion provides: (i) credit protection to investors in unsubordinated debt such as Infrastructure Renewal Bonds, Ontario Opportunity Bonds and Commercial Paper (ii) a liquidity backstop for Infrastructure Ontario's financing needs; and (iii) a stable long-term capital base that enables Infrastructure Ontario to achieve a high credit rating.

OFA Revolving Credit Facility

The Ontario Financing Authority (OFA), an agency of the Province of Ontario has provided Infrastructure Ontario with a subordinated revolving credit facility of up to $200 million to provide working capital for AFP projects. Advances are to be repaid upon completion of individual AFP projects. The credit facility must be repaid in full by June 23, 2016. As at March 31, 2007, Infrastructure Ontario has utilized $20 million on this line of credit, with interest at the Province's cost of funds for borrowings with a similar term. Current interest ranged from 4.12% to 4.35%, with maturities from October 2009 to February 2010.

14. Related party transactions

In addition to the loans from OFA, OCWA and the Province of Ontario, Infrastructure Ontario receives a grant from the Ministry of PIR to cover corporate overhead. In 2006-07, Infrastructure Ontario received $7.2 million (2006 – $8.3 million).

Project costs and recoveries are also undertaken with various Ontario Ministries, such as the Ministry of Health and Long Term Care, the Ministry of the Attorney General, the Ministry of Children and Youth Services and the Ministry of Government Services.

Infrastructure Ontario has incurred costs for services with the OFA of $935 thousand (2006 – $925 thousand) and has also incurred costs for wages and benefits to the Ontario Ministry of Labour and Ontario Realty Corporation.

For the year ended March 31, 2007 (tabular amounts in thousands of dollars)

15. Financial instruments

The carrying amounts for cash, accounts receivable, short-term investments, and accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these instruments.

The organization earns interest on loan receivables, short and long-term investments and pays interest on short and long-term debt. To the extent that these financial instruments mature or reprice at different points in time, the organization is exposed to interest rate risk. Management actively manages the maturities of these financial assets and liabilities to mitigate this risk.

16. Contingencies

Infrastructure Ontario, in the ordinary course and conduct of its business, may be exposed to various legal proceedings. At March 31, 2007, Infrastructure Ontario was not aware of any such proceedings in process.

17. Commitments

On August 18, 2003, the Minister of Finance announced that 88 municipalities would be eligible for up to $1 billion in low-interest loans to strengthen local communities. As at March 31, 2007, loans in the amount of $784 million were issued to seventy five municipalities on the 2003-04 concessionary loan program.

On December 20, 2004, the Minister of Finance announced that 109 municipalities would be eligible for up to $1.2 billion as part of Infrastructure Ontario's 2004-05 infrastructure renewal loan program. As at March 31, 2007 loans in the amount of $357 million were issued to sixty municipalities on this program.

On November, 2005, the Minister of Public Infrastructure Renewal announced that the loan program was being expanded to help Ontario universities build and renew infrastructure by making them eligible for low cost, longer term fixed rate loans.As at March 31, 2007 a loan in the amount of $7 million was issued to one university.

On February 10, 2006, the Minister of Public Infrastructure Renewal announced that the infrastructure renewal loan program would now be open for applications from all municipalities on a continuous basis and 64 communities would be eligible for up to $418 million as part of Infrastructure Ontario's 2005-06 municipal infrastructure renewal loan program. This was in addition to $126 million that had been announced on August 12, 2005. As at March 31, 2007 loans in the amount of $81 million were issued to twenty-three municipalities on the 2005-06 program and $12 million to five municipalities on the 2006-07 program.

18. Economic dependence

Infrastructure Ontario is dependent on the Province of Ontario for the provision of funds to cover operating costs, finance project costs until recovery and to support the concessionary loans provided to municipalities. Based on the Province's support in providing a multi-year commitment for public infrastructure projects and providing a fifty-year loan, Infrastructure Ontario is considered a going concern.

19. Amalgamation and comparative figures

The July 17, 2006 amalgamation of Infrastructure Ontario and OSIFA brought together the two organizations. The March 31, 2007 financial statements and the comparative figures have been restated to present the results of operations as if the two organizations had operated as a single entity since April 1, 2005. Infrastructure Ontario was incorporated on November 7, 2005, accordingly, the results of this projects division of the amalgamated entity are included only from that date. Certain of the comparative figures have been reclassified to conform to the current year's presentation.

The comparative figures for the OSIFA division were audited by the Office of the Auditor General of Ontario.

20. Subsequent event

On April 19, 2007, Infrastructure Ontario issued $300 million of Infrastructure Renewal Bonds. The bonds bear interest at 4.70% per annum and mature on June 1, 2037. Interest is paid semi-annually on June 1st and December 1st until maturity. Infrastructure Ontario will record these bonds as part of the long term debt of the organization in fiscal year 2007-08.

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